

## Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ISO-00 EB-03 NSC-10 COME-00 CIAE-00

NSCE-00 DRC-01 RSC-01 /043 W  
----- 025937

P R 250420Z FEB 74  
FM USLO PEKING  
TO SECSTATE WASHDC PRIORITY 1412  
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 0312

LIMDIS

E.O. 11652: GDS  
TAGS: EIND ETRD CH US  
SUBJ: US FERROUS SCRAP EXPORT TO PRC

REF: STATE 034369

1. USLO DOES WISH TO FOLLOW UP WASHINGTON DISCUSSION WITH MINMETALS HERE IN PEKING. ASIDE FROM IMPORTANCE OF THIS PARTICULAR ISSUE, IT IS NECESSARY FOR OUR RELATIONSHIPS HERE THAT WE RESPOND TO A PRC AGENCY THAT HAS PLACED A PROBLEM BEFORE US. ASIDE FROM PROVIDING MINMETALS WITH GENERAL BACKGROUND AND EXPLANATION OF EXPORT LICENSING PROGRAM, ARE WE CORRECT IN ASSUMING THAT OUR PRESENTATION SHOULD MAKE CLEAR THE FOLLOWING POINTS:

A. REGARDING CARRYOVER OF ORDERS LICENSED DURING SECOND HALF OF 1973 BUT NOT YET SHIPPED, THE PRC SHOULD URGE SELLERS TO MAKE SHIPMENTS BEFORE THESE LICENSES EXPIRE. (HOW LONG ARE THOSE LICENSES EFFECTIVE BEFORE THEY EXPIRE?)

B. REGARDING THOSE ORDERS LICENSED DURING THE SECOND HALF OF 1973 WHICH ALREADY HAVE EXPIRED, THE US WILL CONSIDER EXTENDING THEM DEPENDING ON THE CIRCUMSTANCES. BUT EXTENSION IS NOT AUTOMATIC, AND DEPENDS ON WHETHER OR NOT THERE IS HARSHSHIP (PARA 2 REFTEL). THUS, THE PRC

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SHOULD PROVIDE US WITH INFORMATION REGARDING SCRAP REQUIREMENTS,

AVAILABILITIES, AND SHORTFALLS. WE NEED THE SAME KIND OF INFORMATION IN CONNECTION WITH ANY POSSIBLE SUPPLEMENTARY ALLOCATION FROM THE CONTINGENCY RESERVE.

C. REGARDING THE FIRST QUARTER ALLOCATIONS FOR THE PRC, MINMETALS SHOULD DEAL WITH THOSE FIRMS WITH WHICH IT HAS DONE BUSINESS IN THE PAST, SINCE ONLY THEY ARE ELIGIBLE TO SHIP SCRAP TO THE PRC UNDER THE PRESENT PROGRAM. THE SAME WOULD APPLY TO ANY SUPPLEMENTARY ALLOCATION, IF ONE IS GRANTED FOR THE PRC, FROM THE CONTINGENCY RESERVE.

2. USLO WOULD APPRECIATE EARLIEST ADVICE ON THE ABOVE POINTS. WE WISH TO HAVE FOLLOWUP CONVERSATION WITH MINMETALS ASAP, BUT WILL WAIT FOR MATERIALS THAT HAVE BEEN POUCHED TO US (PARA 12 REFTEL) IF DEPARTMENT BELIEVES THESE ARE ESSENTIAL TO OUR PRESENTATION.

3. WHILE WE ASSUME THERE ARE SOUND REASONS FOR PERMITTING EXPORTERS TO RECEIVE ALLOCATIONS ONLY FOR THOSE COUNTRIES WITH WHICH THEY HAVE HAD TRADE DURING THE BASE PERIOD, WE BELIEVE SUCH A REQUIREMENT IS PARTICULARLY ONEROUS FOR A COUNTRY SUCH AS PRC WHOSE QUARTERLY QUOTA ALLOCATION UNDER PRESENT LICENSING PROGRAM IS SO SMALL, AND WHOSE EXPERIENCE IN MAKING PURCHASES FROM THE US HAS BEEN SO SHORT. THIS CERTAINLY COMPOUNDS THE DIFFICULTIES FOR THE CHINESE, AND POSSIBLY THEIR RESENTMENT OVER THE IMPACT ON THEM OF THIS PROGRAM. IS ANY FLEXIBILITY POSSIBLE IN THIS REGARD?

JENKINS

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## Message Attributes

**Automatic Decaptoning:** Z  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IRON, EXPORTS, STOCKPILE DISPOSAL, FERROALLOYS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 FEB 1974  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974PEKING00312  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** PEKING  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Legacy Key:** link1974/newtext/t19740211/aaaaakfl.tel  
**Line Count:** 90  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** LIMDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** LIMDIS  
**Reference:** STATE 034369  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 JUL 2002 by shawdg>; APPROVED <23 JAN 2003 by GolinoFR>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** US FERROUS SCRAP EXPORT TO PRC  
**TAGS:** EIND, ETRD, CH, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005